

Memorandum

To: Panel Members Date: March 27, 2003

From: Charles Rufo, Manager
Peter DeMauro, General Counsel Analyst: R. Hernandez

Subject: One-Step Agreement for **Teichert, Inc. (SET)**
(www.teichert.com)

CONTRACTOR:

- Training Project Profile: Retraining: Companies with Out-of-State Competition
SET Workers Earning at Least State Hourly Wage
SET Workers in High Unemployment Areas
- Legislative Priorities: Developed Jointly by Management and Workers
Promotion of California's Manufacturing Workforce
- Type of Industry: Construction and Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 2,500
 - In California: 2,500
- Fringe Benefits: Yes
- Union Representation: Yes
- Name and Local Number of Union representing workers to be Trained:
 - Cement Masons Local 400
 - Machinists and Mechanics Lodge No. 2182
 - Operating Engineers Local Union No. 3
 - Construction and General Laborers' Local 185
 - General Teamsters Local No. 439

CONTRACT:

- Program Costs: \$718,900
- Substantial Contribution: \$0
- Total ETP Funding: \$718,900
- In-Kind Contribution: \$2,310,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: El Dorado, Yolo, Sacramento, Yuba, Sutter, San Joaquin, Nevada, Placer, and Stanislaus
- Duration of Agreement: 24 Months

SUBCONTRACTORS:

PricewaterhouseCoopers, San Francisco, Administrative Services, project administration costs will not exceed 15 percent of the earned amount of the Agreement.

THIRD PARTY SERVICES:

PricewaterhouseCoopers provided assistance with assessing and planning training needs, and preparing the application for an amount not to exceed \$55,000, based on an hourly rate.

PRIOR PROJECTS:

None

NARRATIVE:

This application is a referral from the California Technology, Trade and Commerce Agency.

In business since 1887 and headquartered in Sacramento, Teichert, Inc., is a construction and materials company. Over the years, the company has built hundreds of miles of freeways, roads and residential streets. Customers include state, federal, city, county, and municipal agencies as well as private companies building office complexes, shopping centers and other commercial and residential developments. Most of the company's business is conducted in Northern California.

Teichert, Inc., is organized into two major operational divisions: Teichert Materials and Teichert Construction. Teichert Materials produces and supplies aggregates, ready mix concrete, asphalt and precast products to contractors, public agencies and manufacturers from plants throughout the Central Valley. Teichert Materials was found to be eligible for standard ETP retraining funds under Title 22, California Code of Regulations, Section 4416(a)(1,2), as a division engaged in mining, beneficiation, manufacturing-related chemical and electrochemical processes, and wholesale trade activities.

Teichert Construction division operates with the oldest active license in California. In addition to freeway construction projects, its capabilities include complete sewer, drainage, water, earth moving, excavating, grading, paving and general site preparation work for subdivisions and commercial developments as well as curbs, gutters, playgrounds, tunnels, canals, levees, runways, patios, and driveways. Teichert Construction division and the company's headquarters facility were found to be eligible for ETP funding under Title 22, California Code of Regulations, Section 4409(a), Special Employment Training (SET) Projects, targeting training of frontline workers who earn at least the state average hourly wage.

The applicant also requests SET funds under Title 22, California Code of Regulations, Section 4409(a), targeting training for administrative frontline workers in district offices in San Joaquin and Stanislaus Counties, which are high unemployment areas of the State.

The past decade has been successful for Teichert, Inc., as it benefited from Northern California's construction boom, but challenges remain. The construction boom itself attracted other competitors to the company's Northern California markets. Additionally, new technologies and quality control demands are being placed on the construction industry, and like other businesses, price competition is severe.

NARRATIVE: (continued)

To continue growing and competing, Teichert, Inc., states it must improve the efficiency, precision, and overall productivity of its administrative and operational activities. Bidding is increasingly competitive and will become more so when housing development slows and budget problems limit government spending. Company representatives believe the following training will help Teichert, Inc., meet these challenges:

Computer Skills training will help Teichert, Inc., implement an enterprise resource planning system. This new computer system links all parts of a company into a single integrated database. The system will help manage staff resources, finance, projects, inventory, equipment, real estate, costs, suppliers, and bidding. Implementation of the system requires changes and standardization of many business processes so they can be systematically tracked and managed. Administrative and computer support staff throughout the company will be trained in the new system and its capabilities.

Continuous Improvement and Business Skills training will focus on the creation of the Teichert University, a new internal training department. This company-wide training initiative will standardize new processes and give employees a foundation for future training and development. For instance, Business Skills will standardize systems for project management and reporting. Employees across the board will learn how financial concepts are reflected in operational and administrative functions. A Continuous Improvement foundation will concentrate on team building, change management, communication skills, and leadership skills.

Management Skills training is a foreman development program to improve the skills of new foremen who are promoted from the craft worker ranks. Only newly promoted foremen will receive this training which includes roles and responsibilities, goal setting, performance evaluation, development and training, motivation, and leading a team. This is a newly developed and implemented formal training program for foreman frontline supervisors.

Advanced Technology (AT) training will introduce new, advanced technologies to the company. Training in AT includes a Global Positioning System (GPS) for precise, satellite-guided, computer-assisted grading that reduces surveying costs and increases the accuracy of the work. GPS systems precisely control the level of the grade based upon a computer program. Training will enable employees to program the systems and operate the GPS-controlled graders. In the aggregate plants, AT training will also include an advanced vision particle management system installed for real time process control, which utilizes video to provide frequent checks of quality and specification adherence. This new system brings advanced manufacturing process control techniques to the plants to ensure consistent size of material. Finally, AT training will include a video system used to document the installation of utility piping in concealed (below ground) locations. The system includes small video cameras that are inserted into pipes to check for integrity and seals. It records images to validate adherence to public agency installation specifications for water and sewage piping systems.

Teichert, Inc.'s own internal staff will provide training and PricewaterhouseCoopers will provide project administration.

Cement Masons Local 400, Machinists and Mechanics Lodge No. 2182, Operating Engineers Local Union No. 3, Construction and General Laborers' Local 185, and General Teamsters Local No. 439 have submitted letters of support. Represented workers include craft workers, foremen, and machinists.

NARRATIVE: (continued)

Supplemental Nature of Training

Teichert, Inc., has certified that this proposed training is new instruction and supplemental to training that the company has provided in the past. The company has not had a formal structured training program. Previously, newly hired employees received company orientation, safety training, and on-the-job training. Individual employees and small groups also received off-site management, supervision, and computer skills training, none of which will be duplicated under this proposed Agreement. ETP funding will allow Teichert, Inc., to implement a new, comprehensive, and structured training department.

With the creation of the Teichert University, the company plans to continue employee development and training, to build a company-wide culture and language, and to increase employee satisfaction and retention. Teichert, Inc., intends to continue the training proposed in this application after the completion of the ETP program providing the economic climate remains favorable.

In the years following the completion of the ETP Agreement, the company intends to provide a significant amount of training, which will build on the foundation established in this project, and sustain and reinforce the skills gained with ETP support. The estimated training budget for the two years following ETP funding is approximately \$800,000.

In-Kind Contribution

Teichert, Inc. will provide an in-kind contribution of approximately \$2,310,000 including the following: \$1,700,000 for wages and fringe benefits paid during ETP-funded training; \$210,000 worth of computer-controls and related equipment for the advanced technology training; and, \$400,000 for on-the-job training not covered by ETP.

COMMENTS:

Advanced Technology (AT) Fixed Fee Cost Reimbursement

Teichert, Inc., is requesting the Advanced Technology Fixed Fee cost reimbursement for 159 trainees in sophisticated and advanced technologies. ETP policy allows a fixed fee reimbursement rate of \$20 per hour for Advanced Technology skills training, requiring a trainer to trainee ratio of 1:10 or less. Furthermore, training must be customized to occupations that involve the production and/or use of sophisticated equipment and software in fields such as electronics, computers, and biotechnology.

The applicant is proposing that training being provided to estimators, engineers, craft workers, machinists, and computer support personnel in Advanced Technology. Teichert employees will be trained to use the following: a GPS to precisely control grading, an advanced vision particle management system, and a sophisticated video system to document the installation of utility piping and validate adherence to specifications. Training will be delivered in small groups of 10 or less employees to allow sufficient time on the equipment, and provide hands-on guidance in programming systems and computer controls. Internal trainers received training from equipment manufacturers and their time will be fully dedicated to instructing trainees. In addition, trainees will not produce products or services during training. Therefore, Teichert, Inc., is requesting an ETP reimbursement of \$20 for this training per class/lab hour versus the normal \$13 per hour reimbursement rate.

COMMENTS: (continued)

Frontline Workers

Under this project 650 trainees are frontline workers as defined under Title 22, California Code of Regulations Section 4400(ee). These persons directly produce or deliver goods and services. New foremen who are promoted from the craft worker ranks meet the criteria because they are covered by a collective bargaining agreement, and he or she directly produce or deliver goods or services. Only 50 managers (7 percent) are participating in this Agreement.

No senior-level managers or executive staff who set company policy are included in the ETP training plan.

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement and the Advanced Technology Fixed Fee cost reimbursement if funds are available and the project meets Panel priorities based on the applicant's stated need to provide employees with skills to enhance its ability to remain competitive. The company certified that the training identified above would enable it to grow and remain viable in the California economy.

TRAINING PLAN:

Grp/ Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job Number 1 Retrainee	Advanced Technology Business Skills Computer Skills Continuous Improvement Management Skills	170	32-200	0	0	\$1,027**	*\$10.98- \$54.23
Job Number 2 SET Frontline	Advanced Technology Business Skills Computer Skills Continuous Improvement Management Skills	436	32-200	0	0	\$1,027**	*\$19.96 – \$54.23
Job Number 3 SET HUA	Advanced Technology Business Skills Computer Skills Continuous Improvement Management Skills	94	32-200	0	0	\$1,027**	*\$10.98 – \$54.23
** Cost per trainee of \$1,027 is calculated on a weighted average of 79 hours.							
					<u>Range of Hourly Wages</u>		
					\$10.98 - \$54.23		
					<u>Prevalent Hourly Wage</u>		
					\$19.96		
					<u>Average Cost per Trainee</u>		
					\$1,027		
<u>Health Benefit used to meet ETP minimum wage:</u>					<u>Turnover Rate</u>	<u>% of Mgrs & Supervisors to be trained:</u>	
Health, dental, and vision benefits of \$1.92 to \$5.80 per hour may be added to the trainees' base wage in order to meet the ETP minimum hourly wage of \$11.41 for Sacramento County and \$10.98 for all other Counties.					9.7%	7%	

**TEICHERT, INC.
MENU CURRICULUM**

CLASS/LAB
HOURS
32 - 200

COMPUTER SKILLS

Enterprise Resource Planning modules:

- General accounting
- Accounts payable
- Accounts receivable
- Cost accounting
- Financial planning and budgeting
- Asset management
- Workforce management
- Project management
- Procurement
- Supplier management
- Desktop applications
- Reports

CONTINUOUS IMPROVEMENT SKILLS

- Team building
- Change management
- Communication skills
- Leadership

BUSINESS SKILLS

- Construction industry procedures: Teichert systems for project management and reporting.
- Finance basics for non-financial personnel: How financial concepts and reporting are reflected in operational and administrative functions.

MANAGEMENT SKILLS* (Foreman Development Program)

- Roles and responsibilities
- Goal setting
- Performance evaluation
- Development and training
- Motivation
- Leading a team

* Foreman development program for foremen who are promoted from the craft worker ranks.

TEICHERT, INC.
MENU CURRICULUM

ADVANCED TECHNOLOGY

Global Positioning Systems (GPS)

- Introduction to GPS, CAD and digitization
- Set-up
- Electronic data acquisition and manipulation
 - From engineering design
 - Actual terrain and existing conditions
 - Entry, editing, analysis and reporting
- Programming
- 3D grading
 - Model building
 - As-is verification and documentation
 - Rough grading guidance
- Program file management: archiving, importing and exporting data

Pipe Inspection

- Video inspection hardware
 - Image acquisition and PC recording
 - Coordinates and project descriptions
 - Archiving and transmitting information
- Video inspection software
- Handling components
- Analyzing data
 - Grades and diameters
 - Laterals and other connections

AggVision

- Hardware setup
- Programming
 - User levels and operator interface
 - Sequencing and logic
 - Real time information
 - Archived data
- Collecting quality control data
- Analyzing data